

# **ATTACHMENT A**

Ameritech-Illinois  
Docket No. 98-0252

GCI Exhibit 6.5 (R.Smith)  
Schedules of GCI Witness Ralph C. Smith with Post-Rebuttal Revisions  
On Behalf of the Government and Consumer Intervenors  
Contents (Redacted Version)

Schedule	Description	Pages	Redacted	Notes
A	Revenue Surplus or Deficiency	1	No	Revised
A-1	Gross Revenue Conversion Factor	1	No	
B	Rate Base	1	No	Revised
C	Adjusted Operating Income	1	No	Revised
D	Capital Structure and Cost of Capital	1	No	
E	GCI Adjustments Summary	3	No	Revised
E-1	Directory Revenue	4	Yes	
E-1.1	Calculation of API Illinois After-Tax Return on Equity	1	Yes	
E-2	Depreciation Expense	1	No	
E-3	Pension Settlement Gain	1	No	Revised
E-4	Merger Costs Billed in 2000 from SBC	1	No	
E-5	Accruals for Asset Disposition Cost	1	No	Revised
E-6	Non-Product "Brand" Advertising	1	No	
E-7	Sports Sponsorship and Cultural Events	1	No	
E-8	Revenue Reduction from Failure to Meet Service Quality Standards	1	No	
E-9	Uncollectibles	1	No	
E-10	Software Capitalization (SOP 98-1)	1	No	
E-11	Interest Synchronization Adjustment	1	No	Revised
E-12	Materials and Supplies	1	No	
E-12.1	Analysis of M&S Balance After Company Accounting Change	1	No	
E-13	Telephone Plant Under Construction and Interest During Construction	1	No	
E-13.1	Analysis of TPUC Balances	1	No	
E-13.2	Interest During Construction and Related to Normalized TPUC Balance	1	No	
E-13.3	Graph of Total TPUC Balances (36-Month Averages; IBT Proposed and GCI Proposed)	1	No	
E-14	Income Tax Expense Correction	1	No	
E-15	Pension Settlement Gain - Ameritech Services	1	No	Revised
E-16	Revenue from Additional 2000 Tariff Filings	1	No	
E-17	ADIT debit balance	1	No	
E-18	Reciprocal Compensation Expense	1	No	Revised
E-19	Pension Settlement Gain - Known 2000 Amounts	1	No	

GCI Exhibit 6.5 contains all of the schedules in redacted format. Schedules with Company Proprietary information are being provided separately. The Proprietary version should be distributed only to those persons who have signed appropriate Confidentiality agreements.

Revisions reflect changes from the schedules provided in GCI Exhibit 6.3 filed with Mr. Smith's rebuttal testimony. E-3, E-5 and E-15 are revised to reflect one year of the proposed normalization of pension settlement gains and asset disposition accrual. E-18 is revised to reflect correction by Ameritech of information it had provided in response to data requests concerning the amount of reciprocal compensation expense in the test year. Summary schedules are revised to reflect the impact of the other revisions.

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Revenue Surplus or Deficiency

Line No.	Description	Reference For Col.A	GCI Adjusted (A)	Per Company (B)	Differences (C)
	<b>Original Cost</b>				
1	Adjusted rate base	Sch.B Revised	\$ 3,026,072	\$ 2,824,498 [A]	\$ 201,574
2	Required rate of return	Schedule D	9.74%	10.89% [B]	-1.15%
3	Required operating income		\$ 294,739	\$ 307,588	\$ (12,849)
4	Adjusted net operating income	Sch.C Revised	\$ 862,192	\$ 470,373 [C]	\$ 391,819
5	Operating income deficiency (sufficiency)		\$ (567,453)	\$ (162,785)	\$ (404,668)
6	Gross revenue conversion factor	Schedule A-1	1.68562	1.69614 [D]	
7	Change in revenue requirement		\$ (956,510)	\$ (276,106)	\$ (680,404)

Notes

References for amounts shown in Column B:

- [A] Ameritech Illinois Exhibit 7.0, Schedule 2 (Dominak), Column E
- [B] Ameritech Illinois Exhibit 6.0, Schedule 13 (Ibbotson), mid-point of range shown on Company exhibit
- [C] Ameritech Illinois Exhibit 7.0, Schedule 1 (Dominak), Column M
- [D] Ameritech Illinois response to data request CUB 5.7

Amounts in Column B, on lines 3, 5 and 7 are calculated from the information provided by the Company

Col.C: Col.A - Col.B

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**Gross Revenue Conversion Factor**

Line No.	Description	Per IBT Amount (A)	Per GCI Amount (B)
1	Gross Intrastate Revenue	100.00%	100.00%
2	Less: Uncollectible Revenue	2.280%	1.670%
3	State Taxable Income	97.7200%	98.3300%
4	State Income Tax at 7.18%	7.0163%	7.0601%
5	Federal Taxable Income	90.7037%	91.2699%
7	Federal Income Tax at 35%	31.7463%	31.9445%
8	Operating Income	58.9574%	59.3254%
9	Gross Revenue Conversion Factor	1.69614	1.68562

**Notes and Source**

Col.A, Lines 1-9: Response to CUB 5.7

**Line 2: Derivation of Uncollectibles (per response to CUB 5.6):**

Company calculation is per response to CUB 5.6		Per Company	Proposed
<b>Revenue</b>			
2.1	Local Service	2,612,229	2,612,229
2.2	Intrastate Access	142,478	142,478
2.3	Long Distance Network Service	221,806	221,806
2.4	Miscellaneous	175,353	175,353
2.5	Directory Sum Certain	(75,000)	(75,000)
2.6	Total	3,076,866	3,076,866
2.7	Uncollectibles	70,192	51,507 Note A
2.8	Percent Uncollectible	2.28%	1.67%

**[A] Adjusted Intrastate Uncollectibles**

A.1	Intrastate Uncollectibles per Company	\$ 70,192	Line 2.7, IBT amount
A.2	Proposed adjustment	\$ (18,685)	Schedule E-9
A.3	Adjusted intrastate Uncollectibles	<u>\$ 51,507</u>	

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Adjusted Original Cost Rate Base

Line No.	Description	Per Company (A)	GCI Adjustments (B)	Per GCI (C)
1	Telephone Plant In Service	\$ 7,860,952	\$ -	\$ 7,860,952
2	Plant Under Construction	\$ 59,034	\$ (13,151)	\$ 45,883
3	Plant Held for Future Use	\$ -	\$ -	\$ -
4	Plant Acquisition Adjustment	\$ -	\$ -	\$ -
5	Materials and Supplies	\$ 1,680	\$ 924	\$ 2,604
6	Accumulated Depreciation & Amortization Reserve	\$ (4,812,805)	\$ 385,861	\$ (4,426,944)
7	Customer Deposits	\$ (3,245)	\$ -	\$ (3,245)
8	Pre-1971 Investment Tax Credits	\$ (34)	\$ -	\$ (34)
9	Accumulated Deferred Income Tax	\$ (281,084)	\$ (172,060)	\$ (453,144)
10	Other Assets & Liabilities	\$ -	\$ -	\$ -
11	<b>Intrastate Rate Base</b>	<u>\$ 2,824,498</u>	<u>\$ 201,574</u>	<u>\$ 3,026,072</u>

Notes

Column A is from Ameritech Illinois Exhibit 7.0, Schedule 2 (Dominak)  
 Also see the Company's response to SDR-003, Schedule B-1

Details for Column B (CUB Adjustments) are shown on Schedule E Revised

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Adjusted Net Operating Income

Line No.	Description	Per Company (A)	GCI Adjustments (B)	Per GCI (C)
<b>Revenues</b>				
1	Local Service Revenues	\$ 2,618,643	\$ 65,752	\$ 2,684,395
2	Network Access Service Revenues	\$ 110,814	\$ 2,099	\$ 112,913
3	Long Distance Network Service Rev.	\$ 221,806	\$ -	\$ 221,806
4	Miscellaneous	\$ 102,583	\$ 126,000	\$ 228,583
5	Uncollectible Revenues	\$ (69,627)	\$ 18,689	\$ (50,938)
6	Total Oper. Rev. (L1 thru L5)	<u>\$ 2,984,219</u>	<u>\$ 212,540</u>	<u>\$ 3,196,759</u>
<b>Expenses</b>				
7	Depreciation and Amortization Expense	\$ 768,211	\$ (385,861)	\$ 382,350
8	Plant Specific Operations	\$ 535,154	\$ -	\$ 535,154
9	Plant Non-Specific Operations	\$ 295,709	\$ (1,306)	\$ 294,403
10	Customer Operations Marketing	\$ 152,108	\$ (96)	\$ 152,012
11	Customer Operations Services	\$ 264,575	\$ -	\$ 264,575
12	Corporate Operations	\$ 168,490	\$ (28,379)	\$ 140,111
13	Interest on Customer Deposits and IDC	\$ 153	\$ (2,244)	\$ (2,091)
14	Total Operating Expenses	<u>\$ 2,184,400</u>	<u>\$ (417,886)</u>	<u>\$ 1,766,514</u>
15	Property & Other Taxes	\$ 49,905	\$ -	\$ 49,905
16	Total Costs and Expenses	<u>\$ 2,234,305</u>	<u>\$ (417,886)</u>	<u>\$ 1,816,419</u>
17	Other Expenses (7370 and 7110 to 7160)	<u>\$ 3,065</u>	<u>\$ -</u>	<u>\$ 3,065</u>
18	Balance Before Income Taxes	<u>\$ 746,849</u>	<u>\$ 630,426</u>	<u>\$ 1,377,275</u>
19	Federal Income Tax	\$ 223,986	\$ 195,418	\$ 419,404
20	State & Local Income Tax	\$ 52,490	\$ 43,189	\$ 95,679
21	Total Income Taxes	<u>\$ 276,476</u>	<u>\$ 238,607</u>	<u>\$ 515,083</u>
22	Balance Available for Return	<u>\$ 470,373</u>	<u>\$ 391,819</u>	<u>\$ 862,192</u>

Notes

Column A amounts are from Ameritech Illinois Exhibit 7.0, Schedule 1 (Dominak)

Details for Column B (GCI Adjustments) are shown on Schedule E Revised.

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 Capital Structure and Cost of Capital

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Line No.	Description	Amount (A)	Percent (B)	Cost Rate (C)	Weighted Cost (D)
<b>I. Per Ameritech, Company Schedule D-1</b>					
1	Common equity		75.09%	12.29%	9.22%
2	Long term debt	\$ 544,660	10.59%	7.91%	0.84%
3	Short term debt	\$ 736,090	14.32%	5.81%	0.83%
4	Total debt	\$ 1,280,750	24.91%		1.67%
5	Total capital		100.00%		10.89%
<b>II. Used to Calculate Revenue Requirement on Behalf of GCI</b>					
6	Common equity		59.94%	11.80%	7.07%
7	Long term debt		18.00%	6.73%	1.21%
8	Short term debt		22.06%	6.61%	1.46%
9	Total debt		40.06%		2.67%
10	Total capital		100.00%		9.74%

Notes and Source

Lines 1-5: Ameritech Illinois Ex.6.0, Schedule 13 (Ibbotson)

Common equity cost on line 1 reflects mid-point of range shown on Company exhibit

Weighted average cost of capital on line 5 reflects mid-point of range shown on Company exhibit

Lines 6-10: Based on ICC Staff recommendation. Staff Exhibit 11.0, Schedule 11.11

Common equity cost on line 6 reflects the low end of the range shown on Staff Schedule 11.11.

Line No.	Description	GCI Adjustment Summary Total	Directory Revenue	Depreciation Expense	Pension Settlement Gain	Merger Costs Billed in 2000 from SBC	Accruals for Asset Disposition Cost	Non-Product "Brand" Advertising	Sports Sponsorship and Cultural Events	Revenue Reduction from Failure to Meet Service Quality Standards
			E-1 Revised	E-2 Revised	E-3 Revised	E-4	E-5 Revised	E-6	E-7	E-8
<b>Revenues</b>										
1	Local Service Revenues	\$ 65,752								
2	Network Access Service Revenues	\$ 2,099								\$ 29,579
3	Long Distance Network Service Rev.	\$ -								
4	Miscellaneous	\$ 126,000	\$ 126,000							
5	Uncollectibles	\$ 18,689								\$ (494)
6	Total Operating Revenue	\$ 212,540	\$ 126,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,085
<b>Expenses</b>										
7	Depreciation and Amortization	\$ (385,861)		\$ (385,861)						
8	Plant Specific Operations	\$ -								
9	Plant Non-Specific Operations	\$ (1,306)								
10	Customer Operations Marketing	\$ (96)							\$ (96)	
11	Customer Operations Services	\$ -								
12	Corporate Operations	\$ (28,379)			\$ (13,238)	\$ (9,253)	\$ (741)	\$ (6,807)		
13	Interest on Customer Deposits and IDC	\$ (2,244)								
14	Total Operating Expenses	\$ (417,886)	\$ -	\$ (385,861)	\$ (13,238)	\$ (9,253)	\$ (741)	\$ (6,807)	\$ (96)	\$ -
15	Other Operating Taxes	\$ -								
16	Total Costs and Expenses	\$ (417,886)	\$ -	\$ (385,861)	\$ (13,238)	\$ (9,253)	\$ (741)	\$ (6,807)	\$ (96)	\$ -
17	Other Expenses (7370.1&2 and 7110 to 7160)	\$ -								
18	Balance Before Income Taxes	\$ 630,426	\$ 126,000	\$ 385,861	\$ 13,238	\$ 9,253	\$ 741	\$ 6,807	\$ 96	\$ 29,085
19	Federal Income Tax	\$ 195,418	\$ 40,934	\$ 125,355	\$ 4,301	\$ 3,006	\$ 241	\$ 2,211	\$ 31	\$ 9,449
20	State & Local Income Tax	\$ 43,189	\$ 9,047	\$ 27,705	\$ 950	\$ 664	\$ 53	\$ 489	\$ 7	\$ 2,088
21	Total Income Taxes	\$ 238,607	\$ 49,981	\$ 153,060	\$ 5,251	\$ 3,670	\$ 294	\$ 2,700	\$ 38	\$ 11,537
22	Net Operating Income	\$ 391,819	\$ 76,019	\$ 232,801	\$ 7,987	\$ 5,583	\$ 447	\$ 4,107	\$ 58	\$ 17,548
<b>Rate Base</b>										
23	Telephone Plant In Service	\$ -								
24	Plant Under Construction	\$ (13,151)								
25	Plant Held for Future Use	\$ -								
26	Plant Acquisition Adjustment	\$ -								
27	Materials and Supplies	\$ 924								
28	Accumulated Depreciation & Amortization Reserve	\$ 385,861		\$ 385,861						
29	Customer Deposits	\$ -								
30	Pre-1971 Investment Tax Credits	\$ -								
31	Accumulated Deferred Income Tax	\$ (172,060)		\$ (153,060)						
32	Other Assets & Liabilities	\$ -								
33	Intrastate Rate Base	\$ 201,574	\$ -	\$ 232,801	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Revenue Requirement Impact</b>										
34	Earnings required	\$ 21,952	\$ -	\$ 25,352	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
35	Earnings available	\$ 391,819	\$ 76,019	\$ 232,801	\$ 7,987	\$ 5,583	\$ 447	\$ 4,107	\$ 58	\$ 17,548
36	Revenues required	\$ (627,348)	\$ (128,939)	\$ (351,863)	\$ (13,547)	\$ (9,470)	\$ (758)	\$ (6,966)	\$ (98)	\$ (29,764)
37	Rate of return	(59,025)								
38	GRCF difference	5,970								
39	CUB adjustments	(680,403)								
40	CUB adjustments from Sch A	(680,404)								
41	diff \$	1								
42	diff %	0.00%								



[illegible]

Line No.	Description	Reciprocal	Pension
		Compensation Expense E-18	Settlement Gain - Known 2000 Amounts E-19
	<b>Revenues</b>		
1	Local Service Revenues		
2	Network Access Service Revenues		
3	Long Distance Network Service Rev.		
4	Miscellaneous		
5	Uncollectibles		
6	Total Operating Revenue	\$ -	\$ -
	<b>Expenses</b>		
7	Depreciation and Amortization		
8	Plant Specific Operations		
9	Plant Non-Specific Operations	\$ -	
10	Customer Operations Marketing		
11	Customer Operations Services		
12	Corporate Operations		\$ (13,169)
13	Interest on Customer Deposits and IDC		
14	Total Operating Expenses	\$ -	\$ (13,169)
15	Other Operating Taxes		
16	Total Costs and Expenses	\$ -	\$ (13,169)
17	Other Expenses (7370.1&2 and 7110 to 7160)		
18	Balance Before Income Taxes	\$ -	\$ 13,169
19	Federal Income Tax	\$ -	\$ 4,278
20	State & Local Income Tax	\$ -	\$ 946
21	Total Income Taxes	\$ -	\$ 5,224
22	Net Operating Income	\$ -	\$ 7,945
	<b>Rate Base</b>		
23	Telephone Plant In Service		
24	Plant Under Construction		
25	Plant Held for Future Use		
26	Plant Acquisition Adjustment		
27	Materials and Supplies		
28	Accumulated Depreciation & Amortization Reserve		
29	Customer Deposits		
30	Pre-1971 Investment Tax Credits		
31	Accumulated Deferred Income Tax		
32	Other Assets & Liabilities		
33	Intrastate Rate Base	\$ -	\$ -
	<b>Revenue Requirement Impact</b>		
34	Earnings required	\$ -	\$ -
35	Earnings available	\$ -	\$ 7,945
36	Revenues required	\$ -	\$ (13,476)
37	Rate of return		
38	GRCF difference		
39	CUB adjustments		
40	CUB adjustments from Sch A		
41	diff \$		
42	diff %		

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Adjustment for Directory Revenue - Summary of Estimates and Recommended Adjustment

Line No.	Description	Amount	Reference
<b>Estimates of Annual Directory Revenue Imputation Amount</b>			
1	Annual directory revenue reflected in prior Commission order	<u>\$126,000</u>	Note A
2	Annual directory revenue imputation based on prior Commission Order amount with growth through 1999 test year	<u>\$163,000</u>	Page 2 of 4
Annual directory revenue based on IBT retaining 36.2% of directory revenues:			
3	Using 1999 billed revenue from IBT Ex.7.1 (Dominak)	<u>\$141,542</u>	Page 3 of 4
4	Using 1999 revenues from APII income statement	<u>\$171,226</u>	Page 3 of 4
Annual directory revenue based on pre-tax income from APII income statement			
5	Using 1999 income statement	<u>\$151,418</u>	Page 4 of 4
6	Using October 2000 APII income statement annualized	<u>\$136,818</u>	Page 4 of 4
<b>Annual Directory Revenue Imputation Amount Used in Calculating IBT Intrastate Revenue Requirement</b>			
7	Amount from prior Commission Order	<u>\$126,000</u>	Line 1, above

Notes

[A]	Annual directory revenue reflected in prior Commission Order	
A.1	Annual payment per contract	\$ 75,000
A.2	Commission adjustment for additional imputation	\$ 51,000
A.3	Annual directory revenue reflected in prior Commission Order	<u>\$ 126,000</u>

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Adjustment for Directory Revenue - Estimate Using Prior Case Plus Growth

Line No.	Description	Amount	Reference
1	Annual directory revenue reflected in prior Commission order	\$126,000	Notes A and D
2	Estimated access line growth factor	<u>129%</u>	Note B
3	Annual directory revenue imputation updated to 1999 test year level	<u>\$163,000</u>	Line 1 x Line 2

Notes

[A]	Annual directory revenue reflected in prior Commission Order		
A.1	Annual payment per contract	\$ 75,000	
A.2	Commission adjustment for additional imputation	\$ 51,000	Note D
A.3	Annual directory revenue reflected in prior Commission Order	<u>\$ 126,000</u>	Note D
[B]	Estimate of access line growth		
B.1	Illinois Bell Telephone - 1998	7,013,269	Monitoring report
B.2	Illinois Bell Telephone - 1991	5,416,128	Monitoring report
B.3	Growth factor	129%	Line B.1 / B.2 Note C
[C]	Growth factor appears to significantly understate total Yellow Pages revenue growth realized. Response to SDR-001-N also indicates that revenue growth for Ameritech Yellow Pages operations was 18% in 1998 alone.		
[D]	Amount based in part on a calculation that used a revenue-per-access line basis		
[E]	1991 access line count used by Staff as the basis for its adjustment in Docket No. 92-0448 using Staff calculationg method #2. See Staff Ex. 19.00, Schedule 1, page 11, Direct Testimony of Samuel S. McClerren		

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**CONTAINS AMERITECH PROPRIETARY INFORMATION!**

Adjustment for Directory Revenue

Line No.	Description	Using Revenue Amount per IBT Ex.7.1 Dominak Rebuttal (A)	Using Revenue Amount per API-Illinois 1999 Income Statement (B)	Reference
1	1999 Directory Publishing Revenues, API-Illinois	\$391,000	\$473,000	Note A
2	Ratio of Illinois Bell Directory Revenue to Gross Directory Revenue	36.2%	36.2%	Note B
3	Annual Directory Revenue imputation	\$141,542	\$171,226	
4	Less: amount reflected by Company	0	0	Note C
5	CUB adjustment for Directory Revenue imputation	\$141,542	\$171,226	

Notes

- [A] Line 1, Column A amount from IBT Ex.7.1 (Dominak), page 45.  
 Line 1, Column B amount from IBT Ex.11.0 (Barry), Schedule 1 ("Proprietary")  
 1999 Directory Publishing Revenues, API-Illinois \$487,626  
 Estimated portion related to Illinois operations 97%  
 1999 Directory Publishing Revenues, API-Illinois for Illinois operations 473,000 IBT Ex.11.0, page 5
- [B] Commission Order (10/4/94) in Docket Nos. 92-0448/93-0239 consolidated, pages 97-98.
- [C] In 1999 Ameritech Illinois received \$75 million pursuant to its affiliate contract; however, the Company removed this amount on Ameritech Illinois Exhibit 7.0 (Dominak) to reflect the expiration of that contract on 12/31/99.

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Adjustment for Directory Revenue - Estimate Using Ameritech Publishing of Illinois Financial Statements

Line No.	Description	Amount	Reference
<b>I. Estimate Using Ameritech Publishing of Illinois 1999 Financial Statements</b>			
1	Pre-tax income for Illinois directory operations	\$ 76,295	Note A & IBT Ex.11.0, p.6
2	Contract payments to IBT	\$ 75,123	Note A & IBT Ex.11.0, p.5
3	Pre-tax income available for Directory Revenue imputation	<u>\$ 151,418</u>	
<b>II. Estimate Using Ameritech Publishing of Illinois October 2000 Year-to-Date Financial Statements</b>			
<b>October 2000 Year-to-Date</b>			
4	Income before income taxes	\$ 82,765	Note B
5	Contract payments to IBT	\$ 31,000	Note B
6	Pre-tax income available for Directory Revenue imputation	<u>\$ 113,765</u>	
<b>October 2000 Year-to-Date Annualized</b>			
7	Income before income taxes and extraordinary items	\$ 99,318	Note C
8	Contract payments to IBT	\$ 37,500	Note D
9	Annualized Pre-tax income available for Directory Revenue imputation	<u>\$ 136,818</u>	

**Notes**

[A] Ameritech Illinois Ex.11.0, page 6, and Schedule 1, and Ameritech Publishing of Illinois Inc. financial statements.

[B] Ameritech Publishing of Illinois Inc. financial statements, October 2000 year-to-date

Income before income taxes	\$ 86,284	11/27/00 M.Barry fax
Add: Contract payments to IBT included in expense	\$ 31,000	M.Barry fax
Income before income taxes without payment to IBT	\$ 117,284	
Portion related to Illinois operations	97%	
Pre tax income from Illinois operations	\$ 113,765	
Less: Contract payments to IBT included in expense	\$ (31,000)	
Adjusted pre-tax income related to Illinois operations	<u>\$ 82,765</u>	

[C] Line 4 / 10 x 12 months

[D] Per 11/21/00 fax from Michael Barry

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**CONTAINS AMERITECH PROPRIETARY INFORMATION**

Calculation of API Illinois After-Tax Return on Equity

Line No.	Description	Amount	Reference
<b>I. Return on Equity Per APII 1999 Financial Statement:</b>			
1	Net income	\$ 85,981	Note A
2	Extraordinary item	\$ 37,185	Note A
3	Net income before extraordinary item	<u>\$ 48,796</u>	Note A
4	After tax return to average equity	<u>212.68%</u>	Note B
<b>II. Calculated Return on Equity Excluding Extraordinary Item:</b>			
5	Average equity balance, derived from above	\$ 40,427	L.1 / L.4
6	After tax return to average equity, excluding XO item	<u>121%</u>	L.3 / L.5
7	Year-end common equity	\$ 34,515	Note B
8	After tax return on year-end common equity	<u>141%</u>	L.3 / L.7
<b>III. Calculation of API Illinois Net Income Assuming Payment to IBT of Commission Imputed Amount of Directory Revenue</b>			
9	API-Illinois pre tax income for Illinois	\$ 76,295	Note A & Sch E-1, p.4
10	Add expense recorded by APII for payments to IBT	\$ 75,123	Note A
11	Less Commission Imputed amount of Directory Revenue	\$ (126,000)	Order in 92-0448
12	Adjusted pre-tax revenue	<u>\$ 25,418</u>	Sum of lines 9 thru 11
13	State and local taxes	\$ 1,855	Note C
14	Federal income taxes	\$ 8,247	Note C
15	Total income taxes	<u>\$ 10,102</u>	
16	Adjusted net operating income	<u>\$ 15,316</u>	L.12 - L.15
<b>IV. Calculation of API Illinois Return on Common Equity Assuming Payment to IBT of Commission Imputed Amount of Directory Revenue</b>			
17	Return on average common equity	<u>37.9%</u>	L.16 / L.5
18	Return on year-end common equity	<u>44.4%</u>	L.16 / L.7

**Notes**

[A] Ameritech Illinois Ex.11.0, Schedule 1, and Ameritech Publishing of Illinois Inc. financial statements.

[B] Ameritech Publishing of Illinois Inc. financial statements for 1999

[C] Calculation of income taxes

	Per APII Income Statement	On Adjusted Pre-Tax Income	
C.1	Pre-tax income	\$ 80,978	\$ 25,418 L.12
C.2	State and local taxes	\$ 5,909	\$ 1,855 C.1 x C.7
C.3	Federal taxable income	\$ 75,069	\$ 23,563
C.4	Federal income tax rate	35%	35%
C.5	Federal income tax	\$ 26,274	\$ 8,247
C.6	Total income taxes	<u>\$ 32,183</u>	<u>\$ 10,102</u> C.2 + C.5
C.7	State and local tax rate	<u>0.072970436</u>	
C.8	Net after-tax income	\$ 48,795	\$ 15,316
C.9	Pre tax income conversion factor	<u>1.6596</u>	<u>1.6596</u>

[D] Calculation of Directory Revenue imputation amount to bring API Illinois return on year-end common equity to the following levels:

	Return on Equity	Directory Revenue Imputation Amount
D.1	Low end of Staff recommendation	11.80% \$ 144,700
D.2	Mid-point of Staff recommendation	13.10% \$ 143,900
D.3	High end of Staff recommendation	14.40% \$ 143,200

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Adjustment for Intrastate Depreciation

Line No.	Description	Per Company Amount (A)	Per GCI Amount (B)	Adjustment (C)
<b>A. Depreciation Expense</b>				
1	1999 Intrastate Depreciation Expense - Company direct	\$ 768,211		
2	Company rebuttal adjustment (IBT Ex.7.1, Sch.1, Col.E)	\$ (101,657)		\$ (101,657)
3	1999 Intrastate Depreciation Expense - Company rebuttal	\$ 666,554	\$ 382,350	\$ (284,204)
4	Total decrease to intrastate Depreciation Expense on IBT Ex.7.0, Sch.1			<u>\$ (385,861)</u>
<b>B. Accumulated Depreciation</b>				
5	Per IBT Ex.7.0, Schedule 2	\$ 4,802,329		
6	Company rebuttal adjustment (IBT Ex.7.1, Sch.2, Col.C)	\$ (101,657)		\$ 101,657
7	Per IBT Ex.7.1, Schedule 2, Col.D	\$ 4,700,672	\$ 4,416,468	\$ 284,204
8	Total decrease to intrastate Accumulated Depreciation on IBT Ex.7.0, Sch.2			<u>\$ 385,861</u>
<b>C. Accumulated Deferred Income Taxes</b>				
9	Company rebuttal adjustment (IBT Ex.7.1, Sch.2, Col.C)			\$ (40,324)
10	Incremental ADIT adjustment for GCI Depreciation adjustment			\$ (112,736)
11	Total increase to intrastate ADIT on IBT Ex.7.0, Sch.2			<u>\$ (153,060)</u>

Notes

**A. Depreciation Expense**

Col.A, Line 1: Ameritech Illinois Exhibit 7.0, Schedule 1 (Dominak)  
 Col.A, Lines 2 and 3: Ameritech Illinois Exhibit 7.1, Schedule 1 (Dominak)  
 Col.B, Line 3: Rebuttal Testimony of William Dunkel, GCI Exhibit 9.9, line 14

**B. Accumulated Depreciation**

Intrastate Accumulated Depreciation at 12/31/99 is impacted directly by the adjustment to 1999 Intrastate Depreciation Expense. It is also impacted by a separations adjustment sponsored by GCI witness Dunkel.

Col.A: Ameritech Illinois Exhibits 7.0 and 7.1, Schedule 2 (Dominak)  
 Col.B: Rebuttal Testimony of William Dunkel, GCI Exhibit 9.18, line 5

	Reference	Per GCI
B.1	Per IBT Ex.7.1, Schedule 2, Col.D	Col.A, Line 7
B.2	Depreciation Expense Adjustment	W.Dunkel reb & Col.C, L.3
B.3	Adjusted intrastate balance for Accumulated Depreciation	Sum of B.1 through B.2
		<u>\$ 4,416,468</u>

Adjustment on line 8, Col.C, decreases the Depreciation Reserve and increases rate base

**C. Accumulated Deferred Income Taxes**

ADIT in the intrastate rate base is impacted by the adjustment to Depreciation, multiplied by the state and federal income tax rates

		Per Company	Per GCI
C.1	Adjustment to Intrastate Book Depreciation Expense	\$ (101,657)	\$ (385,861)
C.2	Deferred state income taxes - intrastate	7.18% \$ (7,299)	\$ (27,705)
C.3	Deferred federal income taxes - intrastate	35.00% \$ (33,025)	\$ (125,355)
C.4	Intrastate ADIT adjustment	<u>\$ (40,324)</u>	<u>\$ (153,060)</u>
C.5	Less Company rebuttal adjustment to ADIT balance		\$ (40,324)
C.6	Incremental intrastate ADIT adjustment		<u>\$ (112,736)</u>

Adjustment on line 11 increases the ADIT credit balance related to accelerated tax depreciation in Account 4340 and decreases rate base



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Net Pension Settlement Gain

Line No.	Description	Amount	Reference
1	Net pension settlement gain (credit)	\$ (98,600)	DHL-038
2	Non-regulated portion	13%	DHL-038
3	Regulated portion	87%	1 - Line 2
4	Intrastate factor	0.771601	Dominak Sch. 1, Col.E
5	Intrastate amount	\$ (66,189)	L.1 x L.3 x L.4
6	Amortization period, in years	5	Proposed
7	Annual amortization, intrastate	\$ (13,238)	L.5 / L.6
8	Adjustment to intrastate expense	\$ (13,238)	Line 7
Calculation of Adjustmnt If Non-Regulated Allocation Is Changed			
1	Net pension settlement gain (credit)	\$ (98,600)	DHL-038
2	Non-regulated portion	4.63%	IBT Ex.7.1, Non-Reg Factor
3	Regulated portion	95.37%	1 - Line 2
4	Intrastate factor	0.771601	Dominak Sch. 1, Col.E
5	Intrastate amount	\$ (72,557)	L.1 x L.3 x L.4
6	Amortization period, in years	5	Proposed
7	Annual amortization, intrastate	\$ (14,511)	L.5 / L.6
8	Adjustment to intrastate expense	\$ (14,511)	Line 7

Notes

Line 8: Previously submitted adjustment is corrected to reflect one year of recommended five-year amortization to normalize the impact of this expense credit on the test year intrastate revenue requirement determination.

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Merger Costs Billed in 2000 from SBC

Line No.	Description	Amount	Reference
1	Merger costs billed to IBT from SBC in 2000	\$ 13,784	DHL-038
2	Non-regulated portion	13%	DHL-038
3	Regulated portion	87%	1 - Line 2
4	Intrastate factor	0.771601	Dominak Sch.1, Col.E
5	Intrastate amount	\$ 9,253	L.1 x L.3 x L.4
6	Adjustment to intrastate expense	\$ (9,253)	-(Line 5)
Calculation of Adjustment If Non-Regulated Allocation Is Changed			
1	Merger costs billed to IBT from SBC in 2000	\$ 13,784	DHL-038
2	Non-regulated portion	4.63%	IBT Ex.7.1, Non-Reg Factor
3	Regulated portion	95.37%	1 - Line 2
4	Intrastate factor	0.771601	Dominak Sch.1, Col.E
5	Intrastate amount	\$ 10,143	L.1 x L.3 x L.4
6	Adjustment to intrastate expense	\$ (10,143)	-(Line 5)

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Asset disposition costs

Line No.	Description	Amount	Reference
1	Asset disposition costs (credit)	\$ (5,518)	DHL-038
2	Non-regulated portion	13%	DHL-038
3	Regulated portion	87%	1 - Line 2
4	Intrastate factor	0.771601	Dominak Sch.1, Col.E
5	Intrastate amount	\$ (3,704)	L.1 x L.3 x L.4
6	Amortization period, in years	5	Proposed
7	Annual amortization, intrastate	\$ (741)	L.5 / L.6
8	Adjustment to intrastate expense	\$ (741)	Line 7
Calculation of Adjustment If Non-Regulated Allocation Is Changed			
1	Asset disposition costs (credit)	\$ (5,518)	DHL-038
2	Non-regulated portion	4.63%	IBT Ex.7.1, Non-Reg Factor
3	Regulated portion	95.37%	1 - Line 2
4	Intrastate factor	0.771601	Dominak Sch.1, Col.E
5	Intrastate amount	\$ (4,061)	L.1 x L.3 x L.4
6	Amortization period, in years	5	Proposed
7	Annual amortization, intrastate	\$ (812)	L.5 / L.6
8	Adjustment to intrastate expense	\$ (812)	Line 7

Notes

Line 8: Previously submitted adjustment is corrected to reflect one year of recommended five-year amortization to normalize the impact of this expense credit on the test year intrastate revenue requirement determination.

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Non-Product "Brand" Advertising

Line No.	Description	Amount	Reference
1	1999 Intrastate Non-Product Advertising Expense Account 6722	<u>\$ 10,373</u>	CUB 5.35 Note A
2	Intrastate expense amount for Non-Product Advertising Expense on Company Exhibit 7, Schedule 1, Column M	<u>\$ 6,807</u>	CUB 5.36 Note A
3	Amount removed in CUB adjustment	<u><u>\$ (6,807)</u></u>	Line 2

Notes

[A] The Company's response to CUB 5.35 identifies the \$10.373 million for 1999 as an intrastate expense amount.

The Company's response to CUB 5.36 identifies the \$10.373 million as a Total Company amount, and indicates that the associated intrastate amount in Ameritech Illinois Exhibit 7, Schedule 1, Column M is \$6.807 million.

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Sports Team Sponsorship/Cultural Events

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	<u>Reference</u>
1	Sports team sponsorship and cultural events expense included on Ameritech Illinois Exhibit 7.0, Schedule 1, Column M, Customer Operations Marketing	\$ 96	CUB 5.37 and 5.38
2	Amount removed in CUB adjustment	\$ (96)	Line 1

Notes

[A] Per the responses to data requests CUB 5.37 and 5.38, IBT is unable to separately identify sports team sponsorship expenses.

Restore Revenues Foregone from Failure to Meet Service Quality Standards

Line No.	Description	Annual Amount (\$)	Cumulative Amount (\$)	Reference
Penalties for failure to meet service quality standards are recorded by IBT as reductions to revenue via the annual price cap filings. The annual reductions and the cumulative impact on the 1999 test year identified by the Company for failure to meet service quality standards are as follows:				
1	1996	\$ 4,063,661	\$ 14,222,814	CUB 17.26
2	1997	\$ 4,224,784	\$ 10,561,960	CUB 17.26
3	1998	\$ 2,325,029	\$ 3,487,543	CUB 17.26
4	1999	\$ 2,612,824	\$ 1,306,412	CUB 17.26
	Total	<u>\$ 13,226,298</u>	<u>\$ 29,578,729</u>	CUB 17.26
5	Revised amount of proposed adjustment to revenue (\$ thousands)		\$ 29,579	Note A
6	Uncollectibles as a percentage of revenue		0.0167	Schedule A-1
7	Estimated impact on Uncollectibles		<u>\$ 494</u>	L.5 x L.6

Notes

[A] The effect of the adjustment is to reflect 1999 test year revenue as if the Company had been in full compliance with quality of service standards, i.e., had not incurred any quality of service penalties affecting the 1999 test year revenue level.

The Company's response to data request CUB 17.26 provided the cumulative impact on 1999 test year revenue associated with the Company's failure to meet Illinois service quality measures. The adjustment is revised to reflect the cumulative effect, as calculated by the Company, on 1999 test year revenue associated with the Company's failure to meet service quality standards.

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Uncollectibles

Line No.	Description	Amount	Reference
	<b>I. Remove Adjustment Recorded in October 1999</b>		
1	Adjustment to Uncollectibles recorded by IBT in October 1999 to conform with SBC's accounting policy - intrastate amount, decrease (increase)	\$ 18,685	BLV-024(c)
	<b>II. Recalculate Impact on IBT Revenue Adjustments:</b>		
2	Impact of Uncollectibles percentage on IBT revenue adjustments shown on Ameritech Illinois Exhibit 7.0, Schedule 1, Columns I through L, decrease (increase)	\$ (141)	Notes A and B
	<b>III. Adjustment to Uncollectibles</b>		
3	Adjustment to decrease Uncollectibles	<u>\$ 18,544</u>	

Notes

[A] Recalculate Impact on IBT Revenue Adjustments:

	Item (Company Ex. 7.0, Schedule 1 reference)	Revenue [B]	Uncollectibles
A.1	1999 price cap (Col.I)	\$ (18,040)	\$ (411)
A.2	Other 1999 (Col.J)	\$ 24,813	\$ 568
A.3	2000 changes (Col.K)	\$ (1,500)	\$ (34)
A.4	2000 price cap (Col.L)	\$ (30,521)	\$ (686)
A.5	Net Company adjustment	\$ (25,248)	\$ (563)
A.6	Proposed Uncollectibles percent of revenue, Schedule A-1	1.67%	
A.7	Calculated Uncollectibles	<u>\$ (422)</u>	<u>\$ (422)</u>
A.8	Adjustment to Uncollectibles (increase)		<u>\$ (141)</u> A.5 - A.7

[B] This Note A "Revenue" column should reflect gross revenue before uncollectibles, rather than net revenue after uncollectibles. The schedule is being revised to reflect this correction.

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Software Capitalization (SOP 98-1)

Line No.	Description	Amount	Reference
	<b>I. Impact on Expenses</b>		
1	Adoption of SOP 98-1 for 1999 results in decrease to Plant Specific Operations Expense on Company Exhibit 7.0, Schedule 1, Column A by this amount	\$ (2,024)	DLH-50
2	Non-regulated portion	15.5388%	Note A
3	Regulated portion	84.4612%	1 - Line 2
4	Intrastate factor for Plant Specific Operations	0.764011	Dominak Sch.1, Col.E
5	Intrastate amount	\$ (1,306)	L.1 x L.3 x L.4
6	Adjustment to intrastate expense	\$ (1,306)	L.5

Notes

[A]	Non-Regulated Portion of Plant Specific Operations Expense		
	Non-Regulated	\$ 126,715	Ex. 7.0, Sch.1, Col. C
	Total Company	\$ 815,474	Ex. 7.0, Sch.1, Col. A
	Non-Regulated Percent of Total	<u>15.5388%</u>	

[B] Per IBT Ex. 7.1, page 6 (Dominak rebuttal), the Company already reflected the rate base impacts associated with adopting SOP 98-1; consequently, this Schedule is being revised to remove the previously calculated rate base impacts.

Line 4: Separations factor for Plant Specific Operations used.

Intrastate factor for Corporate Operations	0.771601	IBT Ex.7.0, Sch.1, Col.E
Previously calculated intrastate expense adjustment	<u>\$ (1,319.00)</u>	



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Interest Synchronization

Line No.	Description	Amount	Reference
1	Rate base	\$ 3,026,072	Schedule B Revised
2	Weighted cost of debt	2.67%	Schedule D
3	Synchronized interest deduction	\$ 80,796	L.1 x L.2
4	Interest in Company's filing	\$ 55,595	Note A
5	Difference in interest	\$ 25,201	L.3 - L.4
6	State Taxable Income	\$ (25,201)	- (L.5)
7	State Income Tax Rate	7.1800%	Note B
8	State Income Tax Expense	\$ (1,809)	L.6 x L.7
9	Federal Taxable Income	\$ (23,392)	L.6 - L.8
10	Federal Income Tax Rate	35.0000%	Note B
11	Federal Income Tax Expense	\$ (8,187)	L.9 x L. 10
12	Increase (decrease) to income tax expense	\$ (9,996)	L.8 + L.11

Notes

A The Company did not provide the information requested in SDR-036(a), (c) and (d) for the components of actual interest used for computing the test year requested income taxes.

Because the Commission has required Interest Synchronization and the Company did not provide the information requested in SDR-036, the amounts used in the calculation have been estimated from other sources of information that the Company did provide.

Booked 1999 interest expense, intrastate \$ 55,595 BLV-Verbal-10/26/00

B Income tax rates were provided in the Company's response to data request CUB 5.8 and in response to BLV-Verbal-10/26/00 (follow-up to SDR-036).

C Combined state and federal income tax rates 39.6651% (L.8 + L.11) / L.6.

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Materials and Supplies

Line No.	Description	Per Company Amount (A)	Per GCI Amount (B)	Adjustment (C)
1	Materials and Supplies	\$ 2,258	\$ 3,500	
2	Less: Non-regulated	\$ (24)	\$ (37)	
3	Subject to Separations	\$ 2,234	\$ 3,463	
4	Intrastate Ratio	0.751917	0.751917	
5	Intrastate Amount	<u>\$ 1,680</u>	<u>\$ 2,604</u>	<u>\$ 924</u>
6	Adjustment to increase rate base			<u>\$ 924</u>

Notes and Source

Col.A: Ameritech Illinois Exhibit 7.0, Schedule 2

Col.B, Line 1: Based upon level after Company change in accounting for M&S.  
 See Schedule E-11.1

Col.B, Line 2, non-regulated amount:  
 Based on ratio of Col.A, lines 1 and 2

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Analysis of M&S Balance After Company Accounting Change

Line	Month	Month-End Balance
1	#####	\$ 2,870
2	#####	\$ 2,321
3	#####	\$ 2,258
4	1/31/2000	\$ 2,537
5	2/29/2000	\$ 2,397
6	3/31/2000	\$ 2,397
7	4/30/2000	\$ 2,376
8	5/31/2000	\$ 4,645
9	6/30/2000	\$ 4,444
10	7/31/2000	\$ 3,741
11	8/31/2000	\$ 3,919
12	9/30/2000	\$ 4,011
13	Average	\$ 3,160
14	Allowance used	<u>\$ 3,500</u>

Notes and Source

The Company changed its accounting policy in 1999 and reduced its exempt M&S balance by \$15.8 million in October 1999. See response to data request CUB 5.9.

Monthly amounts for M&S for November 1999 through September 2000, after the accounting policy change, were provided in the responses to data requests SDR-017 and CUB 13.3.

The \$2.258 million balance was used by the Company on its Exhibit 7.0, Schedule 2, because it was the balance in Account 1220.1 as of 12/31/99. This amount appears to be too low. For example, the Company's response to data request CUB 13.3(c) indicates that IBT anticipates an M&S balance of between \$3.5 to \$4 million over the next 12-18 months.

As shown on schedule E-11, I used \$3.5 million to derive the rate base allowance, prior to non-regulated and intrastate allocations.

A \$3.5 million allowance is somewhat greater than the average balance of M&S since the accounting policy change, as shown above, but appears to be within a range of reasonableness.

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Telephone Plant Under Construction and Interest During Construction

Line No.	Description	Per Company Amount (A)	Per GCI Amount (B)	Adjustment (C)
<b>I. Adjust Rate Base amount for Plant Under Construction To a Normal Level</b>				
1	Plant Under Construction	\$ 79,525	\$ 61,810	
2	Less: Non-regulated	\$ (1,940)	\$ (1,508)	
3	Subject to Separations	\$ 77,585	\$ 60,302	
4	Intrastate Ratio	0.760892	0.760892	
5	Intrastate Amount	<u>\$ 59,034</u>	<u>\$ 45,883</u>	<u>\$ (13,151)</u>
6	Adjustment to intrastate rate base			<u>\$ (13,151)</u>
<b>II. Reflect Amount of Interest During Construction In the Determination of Net Operating Income</b>				
7	Amount of Interest During Construction to reflect In the Determination of Intrastate Net Operating Income	Schedule E-13.2		<u>\$ 2,244</u>

Notes and Source

Col.A: Ameritech Illinois Exhibit 7.0, Schedule 2

Col.B, Line 1: Based upon 36-month average.  
 See Schedule E-13.1

Col.B, Line 2, non-regulated amount:  
 Based on ratio of Col.A, lines 1 and 2

Ratio of Intrastate to Total TPUC Amounts	0.74233	0.74232	L.5 / L.1
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Analysis of TPUC Balances

Line No.	Month	Month-End Balance (A)	12-Month Averages (B)	Company Amount Over 12-Month Average \$ (C)	Company Amount Over 12-Month Average % (D)	36-Month Averages (E)
1	#####	\$ 60,821				
2	1/31/1996	\$ 63,573				
3	2/29/1996	\$ 60,932				
4	3/31/1996	\$ 62,896				
5	4/30/1996	\$ 61,173				
6	5/31/1996	\$ 65,875				
7	6/30/1996	\$ 66,120				
8	7/31/1996	\$ 63,547				
9	8/31/1996	\$ 67,884				
10	9/30/1996	\$ 60,072				
11	#####	\$ 59,978				
12	#####	\$ 59,834	\$ 62,725	\$ 16,800	26.8%	
13	#####	\$ 52,192	\$ 62,006	\$ 17,519	28.3%	
14	1/31/1997	\$ 43,089	\$ 60,299	\$ 19,226	31.9%	
15	2/28/1997	\$ 54,283	\$ 59,745	\$ 19,780	33.1%	
16	3/31/1997	\$ 43,971	\$ 58,168	\$ 21,357	36.7%	
17	4/30/1997	\$ 53,523	\$ 57,531	\$ 21,994	38.2%	
18	5/31/1997	\$ 52,458	\$ 56,413	\$ 23,112	41.0%	
19	6/30/1997	\$ 64,929	\$ 56,313	\$ 23,212	41.2%	
20	7/31/1997	\$ 54,678	\$ 55,574	\$ 23,951	43.1%	
21	8/31/1997	\$ 58,748	\$ 54,813	\$ 24,712	45.1%	
22	9/30/1997	\$ 65,103	\$ 55,232	\$ 24,293	44.0%	
23	#####	\$ 64,503	\$ 55,609	\$ 23,916	43.0%	
24	#####	\$ 53,047	\$ 55,044	\$ 24,481	44.5%	
25	#####	\$ 75,371	\$ 56,975	\$ 22,550	39.6%	
26	1/31/1998	\$ 53,246	\$ 57,822	\$ 21,703	37.5%	
27	2/28/1998	\$ 70,030	\$ 59,134	\$ 20,391	34.5%	
28	3/31/1998	\$ 77,761	\$ 61,950	\$ 17,575	28.4%	
29	4/30/1998	\$ 66,311	\$ 63,015	\$ 18,510	28.2%	
30	5/31/1998	\$ 66,989	\$ 64,226	\$ 15,299	23.8%	
31	6/30/1998	\$ 71,413	\$ 64,767	\$ 14,758	22.8%	
32	7/31/1998	\$ 59,895	\$ 65,201	\$ 14,324	22.0%	
33	8/31/1998	\$ 54,860	\$ 64,877	\$ 14,648	22.6%	
34	9/30/1998	\$ 52,789	\$ 63,851	\$ 15,674	24.5%	
35	#####	\$ 46,053	\$ 62,314	\$ 17,211	27.6%	
36	#####	\$ 54,693	\$ 62,451	\$ 17,074	27.3%	\$ 60,073
37	#####	\$ 52,298	\$ 60,528	\$ 18,997	31.4%	\$ 59,837
38	1/31/1999	\$ 67,752	\$ 61,737	\$ 17,788	28.8%	\$ 59,953
39	2/28/1999	\$ 55,047	\$ 60,488	\$ 19,037	31.5%	\$ 59,789
40	3/31/1999	\$ 50,152	\$ 58,188	\$ 21,337	36.7%	\$ 59,435
41	4/30/1999	\$ 54,778	\$ 57,227	\$ 22,298	39.0%	\$ 59,258
42	5/31/1999	\$ 47,799	\$ 55,627	\$ 23,898	43.0%	\$ 58,755
43	6/30/1999	\$ 31,852	\$ 52,331	\$ 27,194	52.0%	\$ 57,804
44	7/31/1999	\$ 38,289	\$ 50,530	\$ 28,995	57.4%	\$ 57,102
45	8/31/1999	\$ 50,645	\$ 50,179	\$ 29,346	58.5%	\$ 56,623
46	9/30/1999	\$ 46,082	\$ 49,620	\$ 29,905	60.3%	\$ 56,234
47	#####	\$ 48,271	\$ 49,805	\$ 29,720	59.7%	\$ 55,909
48	#####	\$ 53,488	\$ 49,704	\$ 29,821	60.0%	\$ 55,733
49	#####	\$ 79,525	\$ 51,973	\$ 27,552	53.0%	\$ 56,492
50	1/31/2000	\$ 89,990	\$ 53,827	\$ 25,698	47.7%	\$ 57,795
51	2/29/2000	\$ 82,095	\$ 56,081	\$ 23,444	41.8%	\$ 58,568
52	3/31/2000	\$ 65,088	\$ 57,325	\$ 22,200	38.7%	\$ 59,154
53	4/30/2000	\$ 75,418	\$ 59,045	\$ 20,480	34.7%	\$ 59,762
54	5/31/2000	\$ 63,221	\$ 60,330	\$ 19,195	31.8%	\$ 60,061
55	6/30/2000	\$ 64,221	\$ 63,028	\$ 16,497	26.2%	\$ 60,042
56	7/31/2000	\$ 68,754	\$ 65,567	\$ 13,958	21.3%	\$ 60,433
57	8/31/2000	\$ 108,334	\$ 70,374	\$ 9,151	13.0%	\$ 61,810

Notes and Source

Col.A amounts are from the Company's response to data request CUB 13.9  
Amount per Company Exhibit 7.0, Schedule 2, Col.A \$ 79,525

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Interest During Construction and Related to Normalized TPUC Balance

Line No.	Year Ended	Interest During Construction (A)	12-Month Average Balance of TPUC (B)	Average Interest Rate for Interest During Construction (C)	Adjustment (D)
1	#####	\$ 3,577	\$ 62,006	5.77%	
2	#####	\$ 2,600	\$ 59,475	4.37%	
3	#####	\$ 2,803	\$ 60,528	4.63%	
4	#####	\$ 2,472	\$ 51,973	4.76%	
5	Average	\$ 2,863	\$ 58,496	4.89%	
6	Normalized Intrastate TPUC Balance		<u>\$ 45,883</u>	Schedule E-13	
7	Estimated associated level of Interest During Construction Line 6 x Line 5, Col.C				<u>\$ 2,244</u>

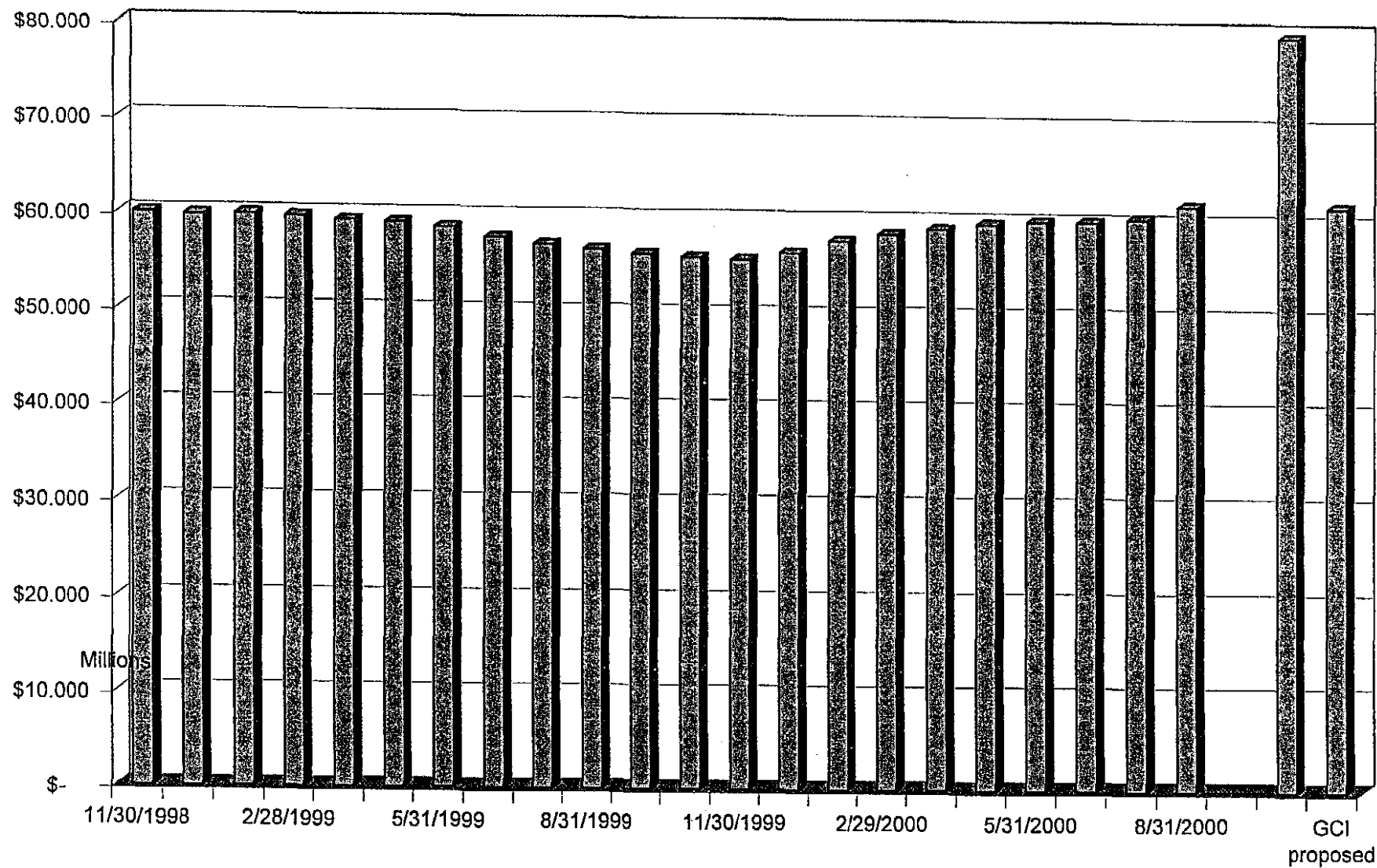
Notes and Source

Col.A amounts are from the Company's response to data request CUB 5.42

Col.B amounts are derived from information provided in the Company's response to data request CUB 13.9.

See Schedule E-13.1

TPUC Balances -Total Company Basis - (36-Month Avgs; IBT Proposed and GCI Proposed)



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Correction to Income Tax Expense

Line No.	Description	Total Company Amount (A)	Intrastate Amount (B)
1	Federal income taxes	\$ (1,793) [A]	\$ (1,203) [B]
2	State income taxes	\$ (396) [A]	\$ (266) [B]
3	Total	<u>\$ (2,189) [A]</u>	<u>\$ (1,469) [A]</u>
4	Total intrastate		<u>\$ (1,469)</u>

Notes

[A] GCI Exhibit 6.0, R.Smith Direct Testimony, page 48.

[B] Same proportion as Total Company amounts



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Pension Settlement Gain - Ameritech Services

Line No.	Description	Amount	Reference
1	Company-proposed adjustment	\$ 18,536 [a]	IBT Ex.7.1, Sch.1, Col.D
2	GCI proposed amount, amortized over five years	\$ 3,707	Line 1 / 5 years
3	Adjustment to Company-proposed intrastate expense	\$ (14,829)	Line 2 - Line 1
4	Adjustment to intrastate expense on IBT Ex.7.0	\$ 14,829	- Line 3
<b>Summary:</b>			
5	Intrastate books (IBT Ex.7.0), starting point (credit)	Per IBT \$ (18,536)	Per GCI \$ (18,536)
6	Pro forma adjustment	\$ 18,536 [a]	\$ 14,829 Line 4
7	End result, adjusted intrastate expense for test year	\$ - [a]	\$ (3,707) [b]

Notes

[a] End result of IBT adjustment is that pension settlement gain is totally ignored for test year intrastate revenue requirement

[b] End result of GCI recommendation is that pension settlement gain is normalized over five years, and one-fifth of the amount is recognized in the determination of the test year revenue requirement.

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Revenues from Additional 2000 Tariff Filings

Line No.	Description	Amount	Reference
	<b>Adjustment to Revenues</b>		
1	Local service revenue	\$ 36,173	IBT Ex.7.1, Sch.1, Col.F
2	Intrastate access revenue	\$ 2,099	IBT Ex.7.1, Sch.1, Col.F
3	Adjustment to revenue	<u>\$ 38,272</u>	L.2 + L.2
	<b>Adjustment to Uncollectibles:</b>		
4	Uncollectibles factor	<u>1.67%</u>	Schedule A-1
5	Uncollectibles	<u>\$ 639</u>	L.3 x L.4

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Accumulated Deferred Income Tax Debit Balance for Uncollectibles

Line No.	Description	Amount	Reference
1	<b>Adjustment to Accumulated Deferred Income Taxes</b> ADIT debit balance item for "merger issues"	<u>\$ 97,616</u>	Note A
	Major components of the \$97.616 million "merger issues" ADIT balance:		
2	"Competitive Declaration"	<u>\$ 60,000</u>	Note B
3	"Allowance for Doubtful Accounts"	<u>\$ 21,000</u>	Note B
	Amounts included in the \$281 million intrastate ADIT balance on IBT Ex. 7.0, Schedule 2, Column E:		
4	"Allowance for Doubtful Accounts"	<u>\$ 19,000</u>	Note C
5	Adjustment to remove ADIT debit balance related to merger issues for Uncollectibles	<u>\$ (19,000)</u>	Note C

Notes

[A] IBT response to CUB 13.11(a), calculation of intrastate ADIT amounts based on SDR-018

[B] IBT response to CUB 13.11(c)

[C] Per discussions with Company representatives, the \$60 million ADIT debit balance item for "competitive declaration" was removed by IBT in deriving the \$281 million intrastate rate base balance shown on IBT Ex.7.0, Schedule 2, Column E; however, the intrastate portion of the ADIT debit balance associated with the merger issues adjustment for Uncollectibles remains included within the derivation of the Company's \$281 million intrastate ADIT balance. The Company representatives estimated the intrastate portion of the ADIT balance relating to merger issues Uncollectibles was between \$19 million and \$20 million. This adjustment removes \$19 million to reflect the removal of the ADIT debit balance for the Company's merger issues Uncollectibles adjustment from intrastate rate base.

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Reciprocal Compensation Expense

Line No.	Description	Amount	Reference
	<b>Reciprocal Compensation Expense</b>		
1	On 1/31/2001 revised responses from IBT to CUB and Staff discovery requests were		
2	received which identified \$128.317 million of reciprocal compensation expense in the test		
3	year on IBT Ex.7.0, Schedule 1. Because this amount approximates the recommended		
4	normalized amount of reciprocal compensation expense, it has been determined that GCI		
5	adjustment E-18 is not necessary.		
6			
7			
8	Adjustment to Reciprocal Compensation Expense	\$ -	
9	Intrastate ratio - Plant Non-Specific Operations	0.781816	Note A
10	Adjustment to intrastate expense	\$ -	

Notes

Per the response to data request CUB-16.1, in March and June of 2000, IBT recorded approximately \$60.7 million of credits to Account 6540 for settlement of disputed reciprocal compensation bills between Ameritech Illinois and other carriers and for reversal of accruals for reciprocal compensation expense. Some portion of these credits appears to relate to reciprocal compensation expense recorded by IBT in Account 6540 in 1999; however, the exact amount cannot be determined from the information provided by IBT to date.

The level of reciprocal compensation expense incurred by IBT is impacted by the minutes of use for calls originating in IBT's service area for internet service handled by CLECs and ISPs.

The response to CUB-16.1(h) stated that the 1999 expense was so much higher than 1998 due to the relatively high internet minutes of usage by customers. The response to CUB-16.1(i) stated that internet minutes of use by customers were relatively equal in 1999 and 2000, and the settlement of disputed bills referred to above contributed to the decrease in 2000 versus 1999 reciprocal compensation expense.

To normalize the level of reciprocal compensation expense and reflect the impact of the settlement of disputed bills, an average of the monthly reciprocal compensation expense for the months of 1999 and 2000 is used.

[A] IBT response to data request BLV-34(c) and IBT Ex.7.0, Schedule 1 (Dominak), Column E

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Pension Settlement Gain - Known 2000 Amounts

Line No.	Description	Amount	Reference
1	Net pension settlement gain - known 2000 amounts	\$ 98,089	BLV-041, Note A
2	Non-regulated portion	13%	DHL-038
3	Regulated portion	87%	1 - Line 2
4	Intrastate factor	0.771601	Dominak Sch.1, Col.E
5	Intrastate amount	\$ 65,846	L.1 x L.3 x L.4
6	Amortization period, in years	5	Proposed
7	Annual amortization, intrastate	\$ 13,169	L.5 / L.6
8	Adjustment to intrastate expense	\$ (13,169)	- (L.7)
Calculation of Adjustment If Non-Regulated Allocation Is Changed			
1	Net pension settlement gain	\$ 98,600	DHL-038
2	Non-regulated portion	4.63%	IBT Ex.7.1, Non-Reg Factor
3	Regulated portion	95.37%	1 - Line 2
4	Intrastate factor	0.771601	Dominak Sch.1, Col.E
5	Intrastate amount	\$ 72,557	L.1 x L.3 x L.4
6	Amortization period, in years	5	Proposed
7	Annual amortization, intrastate	\$ 14,511	L.5 / L.6
8	Adjustment to intrastate expense	\$ (14,511)	- (L.7)

Notes

[A] Known 2000 net pension settlement gains per IBT's response to data request BLV-041:

A.1	IBT pension settlement gains for first quarter of 2000	\$ 34,000	Recorded in March 2000
A.2	IBT pension settlement gains for second quarter of 2000	\$ 50,639	Recorded in June 2000
A.3	Illinois portion of ASI pension settlement gains, first half	\$ 13,450	Recorded in April & July 2000
A.4	Total known 2000 net pension settlement gains per BLV-041	\$ 98,089	